

Service Date: June 19, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER Of The Application) UTILITY DIVISION
Of The CITY OF HARDIN To Increase) DOCKET NO. 84.4.16
Rates And Charges For Sewer Service.) INTERIM ORDER NO. 5066

FINDINGS OF FACT

1. On April 23, 1984, the City of Hardin (Applicant or City) filed an application with this Commission for authorization to increase sewer rates to its Hardin, Montana customers on a permanent basis by approximately 124% which constitutes an annual revenue increase of approximately \$102,650.

2. Concurrent with its filing for a permanent increase in rates, the Applicant filed an application for an interim increase in rates of approximately 124% equalling a revenue increase of approximately \$102,650 or 100% of the proposed permanent increase.

3. The Commission's interim rules and guidelines call for "a clear showing that the petitioning utility is suffering an obvious income deficiency" before it will grant interim rate relief.

4. Examination of the financial statements submitted by the City indicate that the City will realize total revenues of \$128,198 and incur total expenses of \$137,401 during fiscal year 1984 (with two months projected), resulting in a net loss for the sewer utility in the amount of \$9,203. The net loss from sewer utility operations as just determined is deceiving because a substantial portion of the revenues presented were obtained from sources other than monthly sewer

rents.

5. During fiscal years 1979 through 1982 the Hardin municipal sewer utility was accumulating funds in a cash reserve, meaning sewer revenues were exceeding sewer related expenses therefore producing a profit from sewer utility operations. At the close of fiscal year 1983 this fund had a balance of \$33,150, which could be used to offset sewer utility expenses incurred in the succeeding year. During fiscal year 1984 the City used the entire balance in this fund, \$33,150, to offset sewer utility expenses and therefore, no longer has this funding source to draw upon to cover sewer utility expenses. With the depletion of the funds in the cash reserve the City will need to generate revenues in an amount equal to the funding provided by this source(\$33,150), during fiscal year 1984, by increasing sewer rents.

6. During fiscal year 1984 the City also used Revenue Sharing Funds to cover sewer utility expenses, the City Council passed an emergency budget and transferred \$7,168 in Revenue Sharing Funds to the sewer utility Revenue Account. This source of funding is not continuous and the revenues provided by the emergency transfer (\$7,168) will have to be acquired through an increase in sewer rents.

7. The City has failed to meet the requirements of its revenue bond indenture insofar as it relates to the accumulation of a bond reserve in an amount equal to the maximum principal and interest payment due in any future year. This places the City in technical default on its currently outstanding revenue bond issue, therefore, the City proposes to accumulate the required reserve by transferring \$1,330 annually to this account during each of the next five (5) years.

8. It is the Commission's policy to avoid prejudging issues contained in a rate filing when determining a need for interim rate relief. The issues presented in Findings of Fact 4 through 7 are part of the historical revenue requirement of the Applicant's sewer utility and therefore does not constitute prejudgment of issues in this Docket. The Commission finds, based upon Findings of Fact 4 through 7, that the Applicant will experience an annual loss in the amount of \$50,851.

9. The Commission finds that this loss constitutes an obvious income deficiency in this instance, that deferred rate relief until a final order can be issued may adversely affect the utility's financial condition and further that under its current rate making standards, the utility may be entitled to rate relief at the time a final order is issued by the Commission in this Docket.

10. The Commission finds that the City's sewer utility operation is experiencing an operating loss and accordingly, finds the City is entitled to interim rate relief of \$50,851 on an annual basis (See Finding of Fact No. 8).

11. The City in its application has proposed that the increased revenue determined in this order be generated by increasing the rates for all services provided by the Applicant on the basis of a uniform percentage increase. The Commission finds this acceptable and authorizes the Applicant to increase all rates and charges by a uniform percentage.

CONCLUSIONS OF LAW

1. The City of Hardin operates a public utility furnishing

sewer service to customers in the Hardin, Montana area, and is subject to the supervision, regulation and control of this Commission. Section 69-3-102, MCA.

2. Section 69-3-304, MCA provides in part, "The Commission may in its discretion, temporarily approve increases pending a hearing or final decision."

3. The Commission concludes that the grant of an interim rate increase in the manner set forth herein is just, reasonable and within discretion granted by Section 69-3-304, MCA.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. That the City of Hardin is hereby granted authority to implement on an interim basis increased rates for its Hardin, Montana customers, designed to generate additional annual revenues in the amount of \$50,851.

2. The City of Hardin is to file revised tariff schedules spreading the increased revenues as a uniform percentage increase to all services.

3. The Interim relief granted in this Order is to be effective for services rendered on and after June 18, 1984.

4. The increase granted herein is subject to rebate should the final order in this Docket determine a lesser increase is warranted.

DONE IN OPEN SESSION at Helena, Montana, this 18th day of June, 1984 by a 5- 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

Thomas J. Schneider, Chairman

Clyde Jarvis, Commissioner

Danny Oberg, Commissioner

Howard L. Ellis, Commissioner

John B. Driscoll, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.